



## REPORT HIGHLIGHTS SINGLE AUDIT

### Subject

The District is responsible for preparing financial statements, complying with federal and state laws, and maintaining strong internal controls over compliance and financial reporting. As the auditors, our job is to determine whether the District has met its responsibilities. The District's Single Audit Reporting Package includes our report on the District's financial statements, the Schedule of Expenditures of Federal Awards, and our reports on the District's compliance and internal control.

### Our Conclusion

The information in the District's financial statements is fairly stated in all material respects, and the financial statements can be relied upon. The District also maintained adequate internal controls over federal compliance and complied with federal program requirements for the programs tested. However, a number of deficiencies were noted in the District's internal control over financial reporting.



2001

Year Ended June 30, 2001

## The District Needs to Improve its Internal Controls Over Financial Reporting

Auditors identified deficiencies in the design or operation of the District's internal controls over financial reporting in the following areas that could adversely affect the District's ability to accurately record, process, summarize, and report financial information.

- Property, buildings, and equipment—adequate records were not maintained.
- Bookstore operations—employees were assigned incompatible duties and there were inadequate controls over inventories.
- Cash and investments—cash-handling and recordkeeping duties were inadequately separated among employees, and bank accounts were inadequately reconciled.
- Information system—inadequate access, physical security and backup and recovery controls.
- Payroll expenditures—amounts reported in the financial statements were not reconciled to and did not agree with the payroll system expenditures.

## New Reporting Model

Beginning with Fiscal Year 2002, the District will be required to prepare its audited external financial reports following Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. This statement will significantly change the accounting principles and reporting format the District uses in future audited financial reports.

# Expenditures of Federal Awards Increased by \$470,000

The District spent \$2.6 million of federal monies during the year ended June 30, 2001. Compared to the prior year, the District's expenditures of federal monies increased by approximately \$470,000, or 22 percent.

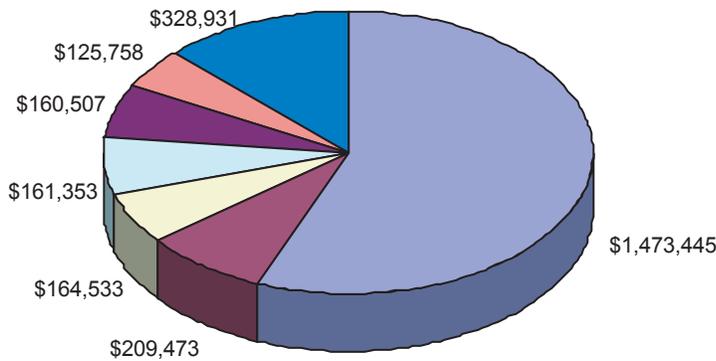
The largest increase was a \$288,000 increase (21 percent) in expenditures of federal student financial assistance program monies, including a \$274,000 increase (23 percent) in the Federal Pell Grant Program expenditures.

The largest federal grants were for student financial assistance. Under the guidelines established by the Single Audit Act, auditors tested the following federal programs, collectively referred to as the Student Financial Assistance Cluster:

- Federal Supplemental Educational Opportunity Grants
- Federal Work—Study Program
- Federal Pell Grant Program

The chart below shows the District's federal program expenditures by federal awards.

**Federal Awards Expended by Program  
Year Ended June 30, 2001**



- Federal Pell Grant Program
- Vocational Education—Basic Grants to States
- Employment and Training Administration Plots, Demonstrations, and Research Projects
- Higher Education—Institutional Aid
- Fund for the Improvement of Postsecondary Education
- Federal Work-Study Program
- Other Federal Programs

## TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



or by visiting  
our Web site at:  
[www.auditorgen.state.az.us](http://www.auditorgen.state.az.us)

Contact person for  
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## The Single Audit Fact Sheet

- Six reportable conditions in financial reporting internal controls.
- Two material weaknesses in financial reporting internal controls.
- No weaknesses in federal compliance internal controls.
- No violations of federal compliance requirements.
- No program costs questioned as a result of our audit.

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Year Ended June 30, 2001